FLORIDA PRIME

Weekly Commentary

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The two elements of the U.S. Federal Reserve's dual mandate—keeping the country at full employment and controlling inflation—continue to recover unevenly from the financial crisis, although that is not negative news, per se. New jobless claims yet again came in under 300,000, continuing a nearly three-month streak, with continuing claims also falling. Inflation remained low, with the rate of both consumer and producer price increase still solidly less than 2%. That is still low by Fed standards, but in check despite low interest rates. This gives the Fed more evidence to fend off any calls for raising the federal funds target range in the immediate future.

There were conflicting reports on the performance of U.S. manufacturing last week, with the New York and Philadelphia Fed district surveys rising on new orders, but industrial production slipping. Housing data signaled that the sector might finally be on a firm foundation, with existing home sales increasing in October and building permits soaring.

The 1-month Treasury dropped down a basis point to 0.03%, with the 3-month remaining at 2 basis points. The 1-month London Interbank Offered Rate (Libor) ticked up just enough to merit rounding up to 0.16%, but the 3-month stayed at 0.23%. The rate for the Fed's overnight reverse-repo facility was 0.07%. Overnight Treasury and mortgage-backed repo rates were 0.0% and 0.08%, respectively.